

HAMBURG TOWNSHIP LIBRARY
Livingston County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2008

HAMBURG TOWNSHIP LIBRARY
For the Year Ended June 30, 2008

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FINANCIAL SECTION

POST, SMYTHE, LUTZ and ZIEL LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502

TELEPHONE (734) 453-8770
FAX (734) 453-0312

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.

Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212

TELEPHONE (248) 644-9125
FAX (248) 593-1986

Independent Auditor's Report

October 7, 2008

Board of Trustees
Hamburg Township Library
Hamburg, Michigan

We have audited the accompanying basic financial statements of the Hamburg Township Library, Michigan, a component unit of Hamburg Township, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of Hamburg Township Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hamburg Township Library as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Hamburg Township Library
October 7, 2008

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,

A handwritten signature in cursive script that reads "Post Smythe Lutz and Ziel of Plymouth".

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

Hamburg Township Library

10411 Merrill Rd. Box 247
Hamburg, MI 48139
810-231-1771

Management's Discussion and Analysis

As management of the Hamburg Township Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of Hamburg Township Library for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the Hamburg Township Library exceeded its liabilities at the close of the most recent fiscal year by \$1,770,950 (*net assets*). Of this amount, \$1,513,897 (*unrestricted net assets*) may be used to meet the Library's ongoing obligations to creditors and future Library development of services to the public. See page 6 for information on designated and undesignated net assets.
- The Library's total net assets increased by \$6,751 from the prior year.
- As of the close of the current fiscal year, the Hamburg Township Library's governmental fund reported ending fund balance of \$1,535,061, a decrease of \$15,260 in comparison with the prior year.
- Library collection materials of \$164,406, net of accumulated depreciation, are reflected in the capital assets. The prior year balances have been restated to reflect this.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Hamburg Township Library's basic financial statements. The Hamburg Township Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Hamburg Township Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Hamburg Township Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Hamburg Township Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and vacation/sick leave earned but unused).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Hamburg Township Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Hamburg Township Library adopts an annual appropriated budget for its general operating fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Hamburg Township Library, assets exceeded liabilities by \$1,770,950 at the close of the most recent fiscal year. The Library's net assets increased by \$6,751 during the current fiscal year.

Hamburg Township Library's Net Assets

	<u>2008</u>	<u>Restated 2007</u>
Current and other assets	\$1,556,589	\$1,564,068
Capital Assets	<u>257,053</u>	<u>234,134</u>
Total Assets	<u>1,813,642</u>	<u>1,798,202</u>
Long-term Liabilities	21,164	20,256
Other Liabilities	<u>21,528</u>	<u>13,747</u>
Total Liabilities	<u>42,692</u>	<u>34,003</u>
Net Assets:		
Invested in capital assets,		
Net of related debt	257,053	234,134
Unrestricted	<u>1,513,897</u>	<u>1,530,065</u>
Total Net Assets	<u>\$1,770,950</u>	<u>\$1,764,199</u>

Governmental activities. The Hamburg Township Library's net assets increased by \$6,751 in fiscal year 2008. Key elements of this increase are as follows:

Hamburg Township Library's Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Revenues:		
Program Revenues:		
Services (Programs, book fines, copies, misc.)	\$ 19,156	\$ 18,016
Refunds	23	55
Operating Grants and Contributions:		
Penal Fines	81,015	85,385
Public Donations	1,919	2,239
Capital Grants and Contributions:		
Non-cash Donation	-	31,375
General Revenues:		
Property Tax Collection	463,074	437,577
State Aid to Libraries	13,466	16,370
Bank Interest	<u>63,674</u>	<u>70,919</u>
Total Revenues	<u>642,327</u>	<u>661,936</u>
Expenses – Library Services	<u>635,576</u>	<u>590,587</u>
Increase (Decrease) in Net Assets	6,751	71,349
Net Assets, July 1, Restated	<u>1,764,199</u>	<u>1,692,850</u>
Net Assets, June 30	<u>\$1,770,950</u>	<u>\$1,764,199</u>

Financial Analysis of the Government's Funds

As noted earlier, the Hamburg Township Library used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Hamburg Township Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Hamburg Township Library's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Hamburg Township Library's general operating fund, reported ending fund balance of \$1,535,061, a decrease of \$15,260 in comparison with the prior year. The entire amount of \$1,535,061 constitutes *unreserved fund balance*. The unreserved fund balance, by Library Board of Trustee vote, has designated funds for furthering the Library's mission:

- Designated funds of \$875,164 for future use on the building facility, future programs and services, and for the long term liability of ongoing vacation/sick time earned but not used. Also, \$98,808 has been designated to reflect the amount of projected expenditures that exceed projected revenues in the adopted fiscal year 2008-2009 budget.
- Undesignated funds of \$561,089 for current year operations.

Key factors in the net decrease in fund balance are as follows:

- A decrease in the property tax revenues of \$25,496 resulting not from a tax decrease, but rather from a decrease in the taxable valuations of the property within the community.
- A decrease in bank interest earned of \$7,245 under the prior fiscal year due to lower interest rates.

General Fund Budgetary Highlights

The Library Board did not find it necessary to amended their original adopted budget during fiscal year 2008. The original and final amended budgets projected a net decrease in fund balance of \$87,562. The actual change in fund balance was a decrease of \$15,260, resulting in a favorable overall variance of budget to actual of \$72,302, as detailed on page 13 of this report.

Capital Assets

Hamburg Township Library's investment in capital assets as of June 30, 2008, amounts to \$257,053 (net of accumulated depreciation). This investment in capital assets includes the additions of \$59,794 less accumulated depreciation of \$36,875 resulting in a total increase in the Library's investment in capital assets for the current fiscal year of \$22,919.

In accordance with GASB No. 34, the Library's financial statements reflect the capitalization of library collection materials. The collection consists of books, audio, DVD's, and CD's. The net value of \$257,053, which is net of accumulated depreciation, represents the historical cost value and not replacement value of the library's collections.

Hamburg Township Library's Capital Assets

	<u>2008</u>	<u>2007</u>
Buildings and Improvements	\$ 84,549	\$ 61,778
Computer Equipment	62,146	62,146
Library Collection Materials	720,337	683,314
Less: Accumulated Depreciation	<u>(609,979)</u>	<u>(573,104)</u>
Capital Assets, Net	<u>\$ 257,053</u>	<u>\$ 234,134</u>

Capitalized assets related to the Township's bond issue voted in 2000 to construct and equip the library building are not reflected on the Hamburg Township Library's financial statements. Rather they are reflected on the primary government's, Hamburg Township's, financial statements. The Library is a component unit of Hamburg Township. As Hamburg Township was the official issuer of the 2000 general obligation bonds, the library collection materials purchased with bond proceeds are reflected on the Township's financial statements.

Additional information on Hamburg Township Library's capital assets can be found in note IV.B on page 19 of this report.

Economic Factors and Next Year's Budget – July 1, 2008 to June 30, 2009

- The Hamburg Township Library Board of Trustees, for the fiscal year 2008-2009 has approved to appropriate \$98,808 from the designated and/or the undesignated funds, for the purpose of meeting, if needed, the entire proposed obligation in the budget.
- The property tax revenue is projected to decrease by \$2,364 in fiscal year 2008-2009 based on the decreased valuation of taxable values of property within the community and the voted millage rate is the same as 2007-2008.
- In order to achieve the goals outlined in the Library's 2006-2010 Strategic Plan, the Library continues to review and monitor the budget to meet the needs of the Strategic Plan for fiscal year 2008-2009. These items are related to operating the library facility. Items of importance are utilities cost, programs, patron services, payroll, related benefits and taxes, and technology upgrades.

All of these factors were considered in preparing the Hamburg Township Library's budget for the 2008-2009 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Hamburg Township Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director, Hamburg Township Library, 10411 Merrill Road, P.O. Box 247, Hamburg, Michigan 48139.

BASIC FINANCIAL STATEMENTS

HAMBURG TOWNSHIP LIBRARY
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 1,539,749
Receivables (net of allowance for uncollectibles)	9,758
Due from State	6,771
Prepaid Expenditures	311
Capital Assets (net of accumulated depreciation)	<u>257,053</u>
Total Assets	<u>1,813,642</u>
<u>LIABILITIES</u>	
Accounts Payable	13,865
Accrued Liabilities	7,663
Noncurrent Liabilities:	
Due within one year	-
Due in more than one year (vacation/sick leave)	<u>21,164</u>
Total Liabilities	<u>42,692</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	257,053
Unrestricted	<u>1,513,897</u>
Total Net Assets	<u>\$ 1,770,950</u>

HAMBURG TOWNSHIP LIBRARY
Statement of Activities
For the Year Ended June 30, 2008

		Program Revenues			Net (Expense)
					Revenue and
					Changes in
					Net Assets
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Governmental</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Activities</u>
			<u>Contributions</u>	<u>Contributions</u>	
Governmental Activities:					
Cultural - Library	\$ <u>635,576</u>	\$ <u>19,179</u>	\$ <u>82,934</u>	\$ <u>-</u>	\$ <u>(533,463)</u>
General Revenues:					
Property Taxes					463,074
State Aid to Libraries					13,466
Unrestricted Interest Earnings					<u>63,674</u>
Total General Revenues					<u>540,214</u>
Change in Net Assets					6,751
Net Assets - Beginning (Restated)					<u>1,764,199</u>
Net Assets - Ending					<u>\$ 1,770,950</u>

HAMBURG TOWNSHIP LIBRARY
Balance Sheet
Governmental Fund
June 30, 2008

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,539,749
Receivables (net of allowance for uncollectibles)	9,758
Due from State	6,771
Prepaid Expenditures	<u>311</u>
Total Assets	<u>\$ 1,556,589</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$ 13,865
Accrued Liabilities	<u>7,663</u>
Total Liabilities	<u>21,528</u>
Fund Balance:	
Unreserved	1,535,061
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	257,053
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(21,164)</u>
Net Assets of Governmental Activities	<u>\$ 1,770,950</u>

HAMBURG TOWNSHIP LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2008

	<u>General Fund</u>
<u>Revenues</u>	
Property Taxes Levied	\$ 463,074
State Aid to Libraries	13,466
Penal Fines	81,015
Book Fines	10,890
Charges for Services	4,441
Interest Earned	63,674
Public Donations	1,919
Refunds	23
Other	3,825
Total Revenues	<u>642,327</u>
<u>Expenditures</u>	
Current:	
Cultural - Library Operations	597,793
Capital Outlay - Library Collection Materials	37,023
Capital Outlay - Furniture & Fixtures	22,771
Total Expenditures	<u>657,587</u>
Net Change in Fund Balance	(15,260)
Fund Balance - Beginning	<u>1,550,321</u>
Fund Balance - Ending	\$ <u><u>1,535,061</u></u>

HAMBURG TOWNSHIP LIBRARY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental fund	\$ (15,260)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	22,919
Governmental funds report a liability for compensated absences only if they have matured, whereas the change in the total liability from prior year is reported in the Statement of Activities. This amount represents the change in the total liability for compensated absences.	<u>(908)</u>
Change in net assets in governmental activities	\$ <u><u>6,751</u></u>

HAMBURG TOWNSHIP LIBRARY
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 432,506	\$ 432,506	\$ 463,074	\$ 30,568
Intergovernmental - State	6,000	6,000	13,466	7,466
Penal Fines	82,300	82,300	81,015	(1,285)
Book Fines	8,800	8,800	10,890	2,090
Copies	1,700	1,700	2,686	986
Programs	100	100	1,755	1,655
Interest Income	62,589	62,589	63,674	1,085
Donations	300	300	1,919	1,619
Refunds	-	-	23	23
Miscellaneous	120	120	3,825	3,705
Total Revenues	<u>594,415</u>	<u>594,415</u>	<u>642,327</u>	<u>47,912</u>
Expenditures:				
Salaries & Wages	369,290	369,290	340,211	29,079
Fringe Benefits	71,732	71,732	68,106	3,626
Office Supplies	13,240	13,240	12,720	520
Postage	7,914	7,914	6,782	1,132
Custodian/Cleaning	16,947	16,947	14,502	2,445
Secretary	321	321	267	54
Telephone	4,440	4,440	2,737	1,703
Utilities	34,030	34,030	29,011	5,019
Mileage	912	912	385	527
Travel	1,180	1,180	382	798
Workshops	1,320	1,320	425	895
Programs	22,140	22,140	17,260	4,880
Books	34,380	34,380	28,122	6,258
Magazines	2,281	2,281	4,690	(2,409)
Newspapers	1,125	1,125	2,006	(881)
Electronic Subscriptions	2,344	2,344	11,431	(9,087)
Audio	7,061	7,061	4,616	2,445
Music	600	600	764	(164)
Videos	2,000	2,000	3,521	(1,521)
Dues & Memberships	572	572	790	(218)
Professional Fees	9,280	9,280	16,785	(7,505)
Printing & Publishing	15,065	15,065	16,136	(1,071)
Bank Fees	780	780	758	22
Miscellaneous	6,637	6,637	3,983	2,654
Equipment Maintenance	10,170	10,170	6,821	3,349
Repairs & Maintenance	10,156	10,156	18,311	(8,155)
Landscape Maintenance	6,200	6,200	8,152	(1,952)
Office Equipment	500	500	1,049	(549)
Office Furniture	12,350	12,350	26,323	(13,973)
Building Improvements	9,750	9,750	-	9,750
Computer Equipment	7,260	7,260	10,541	(3,281)
Total Expenditures	<u>681,977</u>	<u>681,977</u>	<u>657,587</u>	<u>24,390</u>
Net Change in Fund Balance	(87,562)	(87,562)	(15,260)	72,302
Fund Balance - Beginning	<u>1,550,321</u>	<u>1,550,321</u>	<u>1,550,321</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,462,759</u>	<u>\$ 1,462,759</u>	<u>\$ 1,535,061</u>	<u>\$ 72,302</u>

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Library provides public library services to the residents of Hamburg Township, Michigan. As required by generally accepted accounting principles, these financial statements present the Hamburg Township Library, which is a component unit of Hamburg Township.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* are activities which are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Property taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Governmental Funds

The Library reports only one fund, which is the General Fund. The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Amounts reported as *program revenues* on page 9 include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Library to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments are recorded at fair value.

2. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the governmental column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

2. Capital Assets – Continued

that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building Improvements	5-15
Computer Equipment	4-5
Library Collection Materials	10

3. Compensated Absences

In accordance with personnel policies adopted by the Library Board, employees earn sick and vacation time based on time of service with the Library. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental fund is a liability recorded in the Statement of Net Assets. The total liability at June 30, 2008 is \$21,164.

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The detail of this difference is as follows:

Compensated Vacation/Sick Leave Payable \$21,164

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital Outlay	\$ 59,794
Depreciation Expense	<u>(36,875)</u>
	<u>\$ 22,919</u>

Another element of that reconciliation states that "governmental funds report the liability for compensated vacation/sick leave only if they have matured, whereas the change in the total liability is reported in the statement of activities." The change in compensated vacation/sick leave from the prior year is as follows:

Compensated Vacation/Sick Leave	\$ <u>908</u>
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Library is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

1. Prior to June 1, the Library Director submits a proposed operating budget for the ensuing fiscal year commencing July 1. The board adopts the budget at the total fund level.
2. Public hearings are held prior to adoption.
3. Prior to June 30, the budget is enacted by passage of a resolution.
4. Formal budget integration is employed as a management control device for the General Fund.
5. The budget for the General Fund is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. Appropriations lapse at year end.
7. The Library Board may amend the budget during the year.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balances

The Library has no funds with accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in the annual budget. In the body of the financial statements, the Library's actual expenditures and budgeted expenditures have been shown on a line item basis. The approved budget of the Library for the General Fund, which is the budgetary fund was adopted on the activity level.

During the year ended June 30, 2008, the Library did not incur expenditures in excess of the amount appropriated.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Library is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades. However, as the Library is a component unit of Hamburg Township, all Library funds are held in separate accounts from that of the Township. The Township manages their investment policy in accordance with the State of Michigan Public Act 20 of 1943, as amended. Also, in accordance with P.A. 164 of 1877, as amended, MCL section 397.205, the Library has no control into the direction of choosing a banking institution to deposit the Library's funds.

The following information, as required by Governmental Accounting Standards Board Statement Number 40, is presented regarding the Library's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the Library's deposits may not be recovered. Neither State law nor the Library's investment policy requires consideration of custodial credit risk. As of June 30, 2008, the Library's book balance of its deposits was \$1,539,749, including \$325 of petty cash. The bank balance was \$1,540,088 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 170,233
Uninsured and Uncollateralized	<u>1,369,855</u>
Total	<u>\$ 1,540,088</u>

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Interest Rate Risk. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Library's deposits and investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Deposits and Investments:		
Savings and Checking Accounts	\$ 255,076	Demand
Bank Investment Pool	356,158	Demand
Certificates of Deposit	928,854	227 days

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Library's investment policy does not further limit its investment choices.

Concentration of Credit Risk. The Library's investment policy places no limit on the amount the Library may invest in any one issuer. All of the Library's investments are with a single issuer.

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets, being depreciated:				
Buildings and Improvements	\$ 61,778	\$ 22,771	\$ -	\$ 84,549
Computer Equipment	62,146	-	-	62,146
Library Collection Materials	683,314	37,023	-	720,337
Less: Accumulated Depreciation	<u>(573,104)</u>	<u>(36,875)</u>	<u>-</u>	<u>(609,979)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 234,134</u>	<u>\$ 22,919</u>	<u>\$ -</u>	<u>\$257,053</u>

Depreciation expense was charged to functions/programs of the Library as follows:

Governmental Activities: Cultural-Library \$ 36,875

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additional Debt Incurred</u>	<u>Retirements and Payments on Debt</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	<u>\$20,256</u>	<u>\$ 908</u>	<u>\$ -</u>	<u>\$21,164</u>	<u>\$ -</u>

D. Fund Balance Designations

A detailed description of fund balance designations at June 30, 2008, is presented below:

<u>Fund Balance</u>	<u>General Fund</u>
Unreserved:	
Designated for:	
Subsequent Year's Expenditures	\$ 98,808
Building Capital Facilities	
Development	454,000
Programs and Services	
Development	400,000
Long Term Liabilities	21,164
Undesignated	<u>561,089</u>
Total Fund Balance	<u>\$1,535,061</u>

E. Property Taxes

Property taxes are assessed as of each December 31. Taxes are billed the following December 1 and due the subsequent March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The Library's tax levy for the 2007 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

<u>Source</u>	<u>Purpose</u>	<u>Date of Authorization</u>	<u>Maximum Authorized</u>	<u>Less: Required Reductions (State Law)</u>	<u>Maximum Allowable Millage</u>	<u>Tax Levy</u>
Voted	Operating	8/98	.5 mil	(.0582)	.4418	.4418

HAMBURG TOWNSHIP LIBRARY
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V. OTHER INFORMATION

A. Defined Contribution Plan

The Library provides all of its full-time employees with a defined contribution retirement plan provided through Hamburg Township and administered by Manulife Financial. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Board resolution, the Library contributes 10 percent of employees' gross earnings annually to the plan. The plan may be amended by Board resolution. The Library's current year contribution was \$16,065 for the three full-time employees covered under the plan.

B. Risk Management

The Library, through Hamburg Township, is a member of the Michigan Municipal Risk Management Authority for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage, and pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund. In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made. No such event has occurred with Hamburg Township Library and the pools to which it belongs in any of the past three fiscal years.

C. Sewer Billing

In August 2004, the Library analyzed the actual amount of sewer usage that the new library facility uses and compared it to the estimated amount that Hamburg Township had been billing the Library for the period of June 2001 through June 2004. On March 21, 2006, the Hamburg Township Board approved adjusting the amounts to be billed to the Library for sewer usage from 12 to 4 reu's and crediting them with \$9,169 for prior billings, which will be applied to future sewer bills. The amount receivable from the Township at June 30, 2008, is \$5,510.

D. Restatement

Net Assets as of June 30, 2007, have been restated to reflect the capitalization of library collection materials as follows:

Net Assets at June 30, 2007, previously	\$1,619,423
Library Collection Materials, net	
of accumulated depreciation	<u>144,776</u>
Net Assets at June 30, 2007 restated	<u>\$1,764,199</u>

